

Message Text

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ACTION EUR-12

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AMEMBASSY BUDAPEST

AMCONSUL KRAKOV

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USMISSION OECD PARIS

AMCONSUL POZNAN

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

C O N F I D E N T I A L MOSCOW 18776

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TAGS: ETRD, EFIN, ENRG, PL, UR, GE, COMECON

SUBJECT: POLISH CONSTRUCTION OF PIPELINE AND OIL INSTALLATIONS IN
USSR

REF: A. WARSAW 7279 (NOTAL) B. WARSAW 7320 (NOTAL)

1. SUMMARY: EMBASSY REGARDS NEW SOVIET-POLISH CONTRACT FOR
POLISH CONSTRUCTION OF PETROLEUM INSTALLATIONS IN USSR IN EXCHANGE
FOR ADDITIONAL SHIPMENTS OF SOVIET OIL TO POLAND AS INTERESTING
INDICATOR OF CURRENT SOVIET POLICY ON SUPPLY OF OIL TO CEMA
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COUNTRIES OF EASTERN EUROPE. RESEMBLING APPROACH USED IN CEMA

MULTILATERAL PROJECTS IN WHICH CEMA COUNTRIES INVEST IN INFRA-STRUCTURE IN USSR IN RETURN FOR RAW MATERIALS, AND SIGNED BY GOSPLAN DIRECTOR BAYBAKOV, AGREEMENT TAKES PLACE AT TIME WHEN USSR IS BEING GENERALLY RESTRICTIVE ON OIL SHIPMENTS TO MOST EASTERN TRADE PARTNERS. OVERALL, CONTRACT CONFORMS WITH TOUGH SOVIET APPROACH ON OIL DELIVERIES TO BOTH EAST AND WEST AND INDICATES THAT EE CEMA COUNTRIES MUST EXPECT TO PAY VERY HIGH PRICE--INVESTMENT IN CONSTRUCTION PROJECTS ON SOVIET TERRITORY--IF THEY WANT MORE OIL THAN QUANTITY ALLOCATED UNDER NORMAL TRADE AGREEMENTS. END SUMMARY.

2. FACT THAT AGREEMENT WAS SIGNED BY BAYBAKOV INDICATES TOP-LEVEL SOVIET PLANNING AND APPROVAL, PROBABLY OVER A LONG PERIOD OF TIME, AS EMBASSY WARSAW NOTES IN REFTEL A. IT ALSO APPEARS TO BE NEW APPLICATION OF A STANDARD PRINCIPLE IN CEMA MULTILATERAL CONTRACTS, NAMELY EE INVESTMENT IN SOVIET INFRASTRUCTURE WITH REPAYMENT IN RAW MATERIALS FROM PROJECTS INVOLVED. IN THIS CASE, HOWEVER, THE APPLICATION IS STRICTLY BILATERAL, WITH NO GUARANTEE THAT THE EE BUILDER WILL DIRECTLY BENEFIT FROM THE PROJECT.

3. SOVIET AGREEMENT TO INCREASE OIL SHIPMENTS TO POLAND COMES AT A TIME WHEN THE SOVIETS HAVE BEEN REFUSING TO INCREASE DELIVERIES TO A NUMBER OF OTHER COUNTRIES, AND EVEN CUTTING BACK ON AMOUNTS TO BE SHIPPED IN NEW CONTRACTS --E.G., FINLAND. LOCAL EE DIPLOMATIC SOURCES INDICATE THAT YUGOSLAVIA IS DISAPPOINTED WITH AMOUNT OF CRUDE IT WILL RECEIVE AND ROMANIANS--WHO CURRENTLY RECEIVE NO SOVIET OIL--WOULD WELCOME SOME BUT NONE HAS BEEN OFFERED. WE NOTE THAT LAST SPECIAL SOVIET AGREEMENT TO PROVIDE ADDITIONAL OIL TO AN EE CEMA COUNTRY TOOK PLACE IN FEBRUARY 1973--WELL BEFORE THE ENERGY CRUNCH--WHEN SOVIETS SIGNED LONG-TERM AGREEMENT WITH GDR FOR DELIVERIES OF ADDITIONAL CRUDE OVER AND ABOVE THAT PROVIDED FOR IN CURRENT SOVIET-GDR TRADE AGREEMENT. HENCE, THE RELATIVELY STIFF PRICE THE POLES ARE PAYING IS THE PRICE WHICH THE TRAFFIC WILL BEAR.

4. SUMMING UP, THIS NEW SOVIET AGREEMENT CONFORMS WITH TOUGH, SELLERS' MARKET APPROACH SOVIET UNION HAS BEEN TAKING ON EXPORTS OF OIL TO BOTH CAPITALIST TRADING PARTNERS AND FRATERNAL SOCIALIST ALLIES. FORMER PAY IN HARD CURRENCY AT ROTTERDAM PRICE. LATTER CONFIDENTIAL

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WILL PAY SOMEWHAT LOWER PRICE, BUT A PRICE FIXED AT HIGHEST LEVEL SOVIETS THINK THEY CAN AFFORD TO PAY. AND IF SOCIALIST ALLIES, SUCH AS THE POLES, WANT ADDITIONAL QUANTITIES, THESE MAY INDEED BE AVAILABLE. BUT THE PRICE IS HIGH INDEED--INVESTMENT IN CONSTRUCTION PROJECTS ON SOVIET TERRITORY. STOESSEL

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